

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201

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Employer Identification Number:

Person to Contact - ID#:
Phone
Fax

Name

LEGEND

U.I.L. 4945.04-04

X= Requesting private foundation

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated May 12, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program to provide scholarships to high school students who will attend a degree program at an accredited college or university. X may also fund scholarships for students who plan to attend a vocational school.

X will develop application forms and informational packets and will notify educational institutions that interested and qualified students may apply for aid. Applicants will be required to demonstrate satisfactory academic achievement and may be expected to provide transcripts of prior academic work, to submit an essay on a topic assigned by X, to submit a letter of recommendation from a previous employer or educational institution, and/or to provide other samples or evidence of academic, professional, or volunteer work relevant to the applicant's chosen field. Applicants will be expected to document their financial need.

One or more of X's board members may interview applicants. Recipients will be selected by X's board of directors. The board may appoint an advisory committee of educators to assist in evaluating and selecting scholarship recipients.

There will be no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria. However, preference may be given to applicants from groups (such as racial and ethnic minorities) that have historically

been denied opportunities and access. X may also impose other restrictions from time to time, such as geographic (e.g., limited to students from disadvantaged rural and urban areas) or subject-related limitations (e.g., limited to students majoring in a particular topic).

Individuals who are employed by X; employed by organizations controlled by a director of X; are officers or members of X's board of directors; or are related by blood or marriage to any employee, officer, director, scholarship selection committee member, or substantial contributor of X, or an organization controlled by a director of X, are not eligible for grants. X will not make grants that will constitute direct or indirect self-dealing under section 4941.

The number of grants to be awarded annually will depend upon the number of eligible candidates and the funds allotted to the grant program in a given year. The amount of each grant will vary, depending on the specific nature of the proposed program of study and the financial need of the applicant. The number of potentially eligible individuals is too large to estimate.

X intends to pay scholarship monies directly to the recipient student's school. If in the future X pays the funds directly to the recipient, it will require each individual grantee to sign a grant agreement agreeing to use the funds only for the purpose of the grant, to return any funds not so expended, and to submit periodic reports to X. Each recipient will be required to provide a report at the conclusion of the grant period that includes a statement of the grantee's use of the funds and whether the grant purposes were achieved. X will regularly review grantee reports in order to monitor and evaluate the expenditure of funds and the progress made by each recipient. Any apparent misuse of grant funds will be promptly investigated and all reasonable and appropriate steps taken to recover the diverted funds and prevent future diversions from occurring.

X will maintain the records required by Revenue Ruling 56-304 regarding distribution of charitable funds to individuals, and by section 4945 and the accompanying Regulations regarding grants to individuals by private foundations.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for

study at an educational organization described in section 170(b) (1) (A) (ii);

- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d) (3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c) (2) (B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g) (1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
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